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CANADIAN ICE MACHINE COMPANY LIMITED

51ST ANNUAL REPORT 1963



<i>Board of Directors</i>	J. DAVIS	<i>Buffalo</i>
	A. G. S. GRIFFIN	<i>Toronto</i>
	W. L. PHARO	<i>Toronto</i>
	J. RAYMOND, Q.C.	<i>Montreal</i>
	H. V. SHIPLEY	<i>Toronto</i>
	C. F. MACKENZIE	<i>Toronto</i>
	W. L. B. WATTS	<i>Toronto</i>
<i>Officers</i>	H. V. SHIPLEY	<i>Chairman of the Board</i>
	W. L. PHARO	<i>President</i>
	W. L. B. WATTS	<i>Vice-President and Treasurer</i>
	F. BLACK	<i>Secretary</i>
<i>Solicitors</i>	ROBERTSON, LANE, PERRETT, FRANKISH & ESTEY ..	<i>Toronto</i>
<i>Bankers</i>	THE TORONTO-DOMINION BANK	<i>Toronto</i>
<i>Transfer Agents</i>	CANADA PERMANENT TRUST COMPANY	<i>Toronto</i>
<i>Registrars</i>	THE CANADA TRUST CO.	<i>Toronto</i>
<i>Auditors</i>	THORNE, MULHOLLAND, HOWSON & MCPHERSON ..	<i>Toronto</i>
<i>Head Office</i>	65 VILLIERS STREET	<i>Toronto</i>

ANNUAL REPORT OF DIRECTORS

for the year ending December 31, 1963

To The Shareholders

From time to time individual segments of your company have been reported upon. We feel it particularly fitting at this time, however, to review briefly the total organization and how it functions in the very important and active industry in which we are involved.

We are in the refrigeration, air conditioning, plumbing and heating business.

We operate as two companies. Canadian Ice Machine Company Limited, is a mechanical contractor. National-Shipley Limited (a wholly owned subsidiary of Canadian Ice Machine) is a manufacturer and wholesale distributor of products used in the refrigeration, air conditioning, plumbing and heating industry.

Both companies operate nationally across Canada. The last page of this report illustrates this distribution by listing the contracting offices. The National-Shipley distribution is not shown simply because of the complexity of listing in brief form all direct sales offices, agents, dealers, manufacturing outlets, etc. involved and the desire not to overlook anyone.

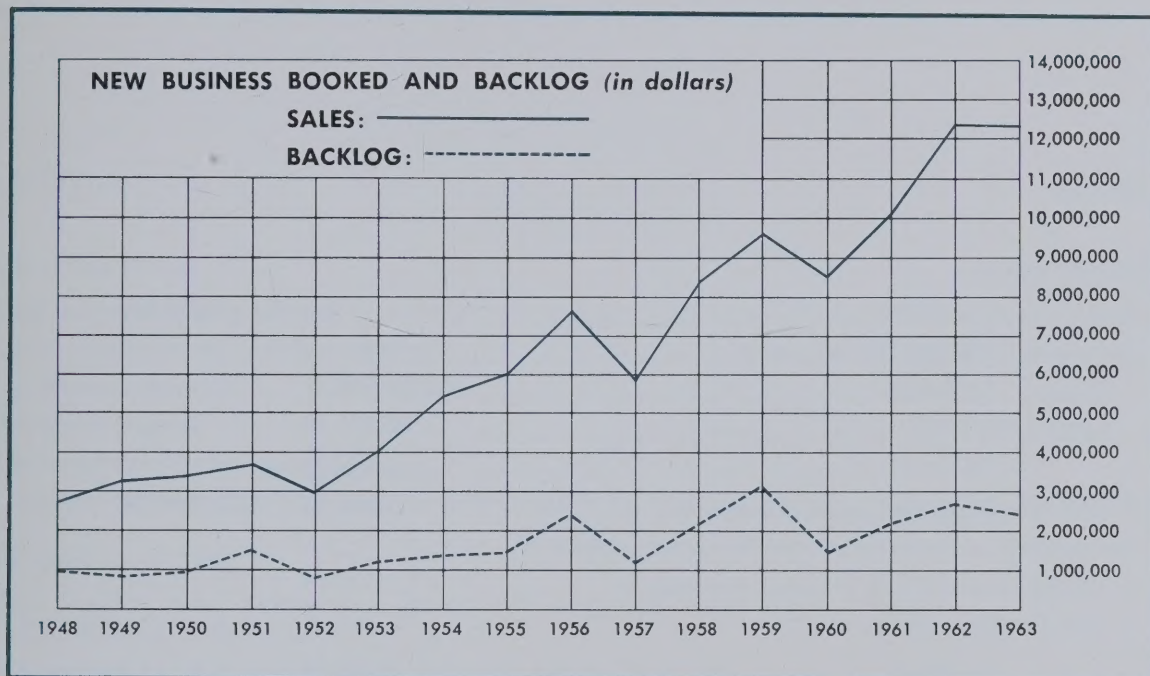
Each company is operated independently as to profit and loss, and each company has its own operating managers to provide the desired results. There is no overlapping of management except the obvious tying together of the subsidiary and parent company at the presidential and board of directors level.

We are not architects and consulting engineers. We work with architects and consulting engineers. We are engineering contractors and manufacturing distributors of engineered products and proudly stand back of our products and services.

Your company is unique in that as mechanical contractors it stocks repair parts, valves, fittings, and other accessories across Canada to serve its customers. Further, it has a staff of fully trained service personnel stationed across Canada to care for the jobs after they are installed. In fact, for an annual fee, such as an insurance premium, your company's representatives will regularly inspect, clean and adjust systems and furnish all material and labour required to keep them operating at peak efficiency.

During 1963 our new business booked was almost identical with that of 1962. Consolidated sales billed in 1963 were about a million dollars (\$986,900.00) greater than in 1962, resulting in a substantially improved profit for the year. The net profit after taxes, \$187,692.00, amounted to \$7.51 per share of Class 'A' stock and \$3.35 per share of Common stock.

The result of billings exceeding bookings is, of course, a somewhat reduced backlog for entry into 1964 as shown on the accompanying chart. This situation in backlog is not particularly serious



nor unusual, also as shown on the accompanying chart. It does follow, however, that bookings must be built up early in the year which opens with a modest backlog if adequate profits are to be realized that year.

The current economic outlook is favourable. Air conditioning, plumbing and heating is a part of the building industry and of human comfort. Refrigeration is closely related to food and, through ice rinks and arenas, to recreation. Where the economy is strong, both are related to population growth. For these reasons, and because your company is blessed today with capable personnel at all levels of operation, we feel we can look forward to the future with confidence.

It would not be fitting to close this report without sincere and grateful tribute to Mr. H. V. Shipley who, for twenty-four years, guided the destinies of this company as President and Chief Executive Officer and who is now Chairman of the Board.

On behalf of the Board,

Walter L. Sharo

Refrigeration Certified Maintenance Company Limited

The results of this company are not included in the reports presented herein because, as reported to you last year, it is no longer a wholly owned subsidiary. The net profit of 'R.C.M.' for the fiscal year ended December 31, 1963 amounted to \$1,773.00.

CONSOLIDATED BALANCE SHEET

December 31, 1963

ASSETS

CURRENT ASSETS:

Cash		\$	1,639.64	
Accounts receivable and advances:				
Trade	\$2,690,956.21			
Employees	25,121.13			
	<u>2,716,077.34</u>			
<i>Less</i> Allowance for doubtful accounts	141,382.40		2,574,694.94	
Inventories, at the lower of cost or market (note 1):				
Unabsorbed costs re contracts in progress	154,145.52			
<i>Less</i> Progress billings thereon	<u>122,038.54</u>			
	32,106.98			
Raw materials, work in process and finished goods	<u>1,063,299.87</u>		1,095,406.85	
Life insurance, cash surrender value			30,450.00	
Prepaid expenses			<u>62,957.67</u>	\$3,765,149.10

FIXED ASSETS:	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	
Land (note 2)	\$ 21,664.48		21,664.48	
Buildings (note 2)	418,765.62	179,958.18	238,807.44	
Machinery and equipment	327,570.40	226,167.29	101,403.11	
Furniture and fixtures	183,493.18	121,464.01	62,029.17	
Automotive equipment	42,056.70	28,725.03	13,331.67	
Tools and dies	54,701.47	37,276.96	17,424.51	
Leasehold improvements	<u>3,417.53</u>	<u>1,489.58</u>	<u>1,927.95</u>	
	1,051,669.38	595,081.05		456,588.33

OTHER ASSETS:

Investment in other companies, at cost	23,222.14			
Patents, unamortized cost	1,225.79			
Contracts, franchises and organization expenses, at cost	11,833.46			
Excess of cost of shares of subsidiary company over net book value thereof	69,862.57			
Bills receivable, not currently due	69,115.42			
Deposits	<u>8,000.00</u>		183,259.38	
				<u>\$4,404,996.81</u>

LIABILITIES

CURRENT LIABILITIES:

Bank advances, partly secured	\$ 975,268.20	
Accounts payable and accrued expenses	1,313,051.56	
Income taxes payable	89,517.41	
Dividends payable	5,000.00	
Estimated liability for guarantees	59,929.64	
Principal instalments on long-term liabilities payable in 1964	157,042.98	\$2,599,809.79

LONG-TERM LIABILITIES:

5½% Sinking fund debentures, Series "B", requiring deposits of \$25,000.00 annually to 1971	200,000.00	
Payable to City of St. Jerome under lease and agreement of sale	99,067.01	
Notes payable, due \$22,700.00 annually to 1966	68,100.00	
Note payable, due in 1964	100,000.00	
Mortgages payable	38,134.59	
	505,301.60	
Less Principal instalments payable in 1964 included under current liabilities	157,042.98	348,258.62
		2,948,068.41

SHAREHOLDERS' EQUITY

CAPITAL STOCK (NOTE 3):

Authorized:

50,000 Class "A" non-redeemable participating shares, par value \$1.00 each, entitled to cumulative preferential annual dividends of 80¢ per share

100,000 common shares, par value \$1.00 each

Issued:

25,000 Class "A" shares	25,000.00	
50,000 common shares	50,000.00	
	75,000.00	

PREMIUM RECEIVED ON SHARES ISSUED

91,500.00

RETAINED EARNINGS

1,290,428.40

1,456,928.40

\$4,404,996.81

Approved on behalf of the Board

W. L. PHARO, Director J. RAYMOND, Director

AUDITORS' REPORT

To the Shareholders of CANADIAN ICE MACHINE COMPANY, LIMITED:

We have examined the consolidated balance sheet of Canadian Ice Machine Company, Limited and its wholly owned subsidiaries as at December 31, 1963 and the consolidated statements of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of Canadian Ice Machine Company, Limited and its wholly owned subsidiaries as at December 31, 1963 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied, except for the change in the basis of inventory valuation referred to in note 1, on a basis consistent with that of the preceding year.

Toronto, Canada,
March 6, 1964.

THORNE, MULHOLLAND, HOWSON & MCPHERSON
Chartered Accountants

NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1963

1. INVENTORY

Overhead on manufactured items in the raw materials and work in process inventories of National-Shipley Ltd., which was absorbed in prior years, is included in the inventory at December 31, 1963, resulting in an increase in valuation of approximately \$45,000.00 over that calculated on the former basis.

2. FIXED ASSETS

Title to certain land and buildings is subject to payment of the balance owing under the lease and agreement of sale.

3. CAPITAL STOCK

Options to purchase 5,000 common shares of the company at \$5.00 per share are outstanding. These options expire August 31, 1965.

4. DIVIDENDS

Payment of dividends on Class "A" and common shares is subject to certain restrictions under the terms of the Supplementary Letters Patent and the trust indenture securing the Series "B" debentures.

5. CONTINGENT LIABILITIES

(a) Notes receivable under discount, \$395,161.50.

(b) Claim against National-Shipley Ltd., of approximately \$33,052.00, unsettled at December 31, 1963.

6. LEASE

In accordance with a lease sale agreement the company is obligated to pay a building rental of \$8,989.20 per annum until April 30, 1982.

CANADIAN ICE MACHINE COMPANY, LIMITED

and its wholly owned subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1963

Profit before taking into account the following items		\$ 501,173.88
Depreciation and amortization	\$ 60,798.36	
Remuneration of executive officers and solicitors	120,039.17	
Directors' fees (other than executives)	1,250.00	
Interest on long-term liabilities	25,442.59	
Loss on disposal of fixed assets	451.94	207,982.06
Income before undernoted taxes		293,191.82
Taxes on income		105,500.00
<i>Net income for year</i>		<u><u>\$ 187,691.82</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1963

Retained earnings at beginning of year	\$1,122,736.58
Net income for year	187,691.82
	<u>1,310,428.40</u>
Dividends of 80¢ per share on Class "A" shares	20,000.00
<i>Retained earnings at end of year</i>	<u><u>\$1,290,428.40</u></u>

CANADIAN ICE MACHINE COMPANY, LIMITED

Contracting District Offices

REFRIGERATION DIVISION:

	R. S. ROSE, <i>General Manager</i> 65 Villiers Street, Toronto, Ont.
MARITIME	W. H. MACDOUGALL, <i>Manager</i> 99 Lady Hammond Road, Halifax, N.S.
QUEBEC	A. GARRAWAY, <i>Manager</i> 3610 Jean Talon St. W., Montreal, P.Q.
OTTAWA	K. F. SCHOOLEY, <i>Manager</i> 387 Bell Street, Ottawa, Ontario
TORONTO	H. R. HEPBURN, <i>Manager</i> 95 Villiers Street, Toronto, Ont.
LONDON	N. A. BALES, <i>Manager</i> 930 Dundas St. E., London, Ontario
MIDWEST	R. E. GOLDRING, <i>Manager</i> 1112 Notre Dame Ave., Winnipeg, Man.
REGINA	T. W. FLEMING, <i>Manager</i> 2514 Dewdney Ave., Regina, Sask.
CALGARY	R. T. CRAWFORD, <i>Manager</i> 720 Second Ave. S.W., Calgary, Alta.
EDMONTON	L. E. OLSON, <i>Manager</i> 10568, 109th St., Edmonton, Alta.
PACIFIC	L. O. CROOKS, <i>Manager</i> 2150 Fir Street, Vancouver, B.C.

AIR-CONDITIONING, PLUMBING AND HEATING DIVISION:

	O. L. DAVIE, <i>General Manager</i> 65 Villiers Street, Toronto, Ont.
OTTAWA	M. NUGENT, <i>Manager</i> 387 Bell Street, Ottawa, Ont.
TORONTO AIR- CONDITIONING	P. M. SHIPLEY, <i>Manager</i> 65 Villiers Street, Toronto, Ont.
TORONTO PLUMBING AND HEATING	A. L. CLARE, <i>Manager</i> 95 Villiers Street, Toronto, Ont.
MIDWEST	C. W. SCHWARZ, <i>Manager</i> 1110 Notre Dame Ave., Winnipeg, Man.
CALGARY	R. D. HANSELL, <i>Manager</i> 720 Second Ave. S.W., Calgary, Alta.
EDMONTON	H. M. CHORNEY, <i>Manager</i> 10568, 109th St., Edmonton, Alta.
PACIFIC	M. ACTON, <i>Manager</i> 2150 Fir Street, Vancouver, B.C.

